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TAGS: EFIN, TW
SUBJECT: CHANGES IN REGULATIONS GOVERNING FOREIGN BANKING
OPERATIONS

REF: TAIPEI 4313

1. ON AUGUST 23, THE MINISTRY OF FINANCE (MOF) ANNOUNCED CHANGES IN THE REGULATIONS GOVERNING FOREIGN BANK ACCEPTANCE OF NT DOLLAR TIME DEPOSIT CERTIFICATES AND IN THE REGULATIONS GOVERNING THE ESTABLISHMENT OF BRANCHES OR REPRESENTATIVE OFFICES IN TAIWAN BY FOREIGN BANKS. THE CHANGES GO INTO EFFECT ON AUGUST 25, 1983.

2. MOF ANNOUNCED THAT BEGINNING AUGUST 25, FOREIGN BANKS IN TAIWAN WILL BE PERMITTED TO ACCEPT NT DOLLAR TIME DEPOSITS. (PLEASE SEE REFTEL.)

3. MOF SIMULTANEOUSLY RELAXED THE REGULATIONS GOVERNING THE ESTABLISHMENT OF A BRANCH OFFICE OR REPRESENTATIVE OFFICE IN TAIWAN BY A FOREIGN BANK. THESE NEW REQUIREMENTS ALSO GO INTO EFFECT ON AUGUST 25.

(A) A FOREIGN BANK INTENDING TO ESTABLISH A BRANCH IN TAIWAN SHALL HAVE HAD A CORRESPONDENT BANKING RELATIONSHIP WITH TAIWAN OF AT LEAST TEN YEARS DURATION AND TRANSACTIONS WITH TAIWAN'S BANKING AND BUSINESS COMMUNITY, TOTALING AT LEAST USD1 BILLION, OVER THE THREE YEAR PERIOD PRIOR TO THE TIME OF APPLICATION. OF THESE TRANSACTIONS, AT LEAST USD180 MILLION SHALL BE IN THE FORM OF MEDIUM- AND LONG-TERM LOANS TO TAIWAN. PREVIOUSLY, FOREIGN BANKS ADDITIONALLY WERE REQUIRED TO HAVE TRANSACTED AT LEAST USD500 MILLION WORTH OF BUSINESS WITH TAIWAN IN THE YEAR PRIOR TO ANY APPLICATION FOR ESTABLISHMENT OF A BRANCH OFFICE. THE NEW REGULATION DROPS THE USD500 MILLION REQUIREMENT.

(B) A FOREIGN BANK INTENDING TO ESTABLISH A REPRESENTATIVE OFFICE IN TAIWAN SHALL HAVE HAD A CORRESPONDENT BANKING RELATIONSHIP WITH TAIWAN OF AT LEAST FIVE YEARS DURATION AND TRANSACTIONS WITH TAIWAN'S BANKING AND BUSINESS COMMUNITY, TOTALING AT LEAST USD100 MILLION, OVER THE THREE-YEAR PERIOD PRIOR TO THE TIME OF APPLICATION FOR ESTABLISHMENT OF A REPRESENTATIVE OFFICE. OF THESE TRANSACTIONS, AT LEAST USD30 MILLION SHALL BE IN THE FORM OF MEDIUM- AND LONG-TERM LOANS TO TAIWAN. PREVIOUSLY, THE REQUIREMENT FOR MEDIUM- AND LONG-TERM LOANS IN THE THREE YEAR PERIOD WAS USD60 MILLION. THE NEW REGULATIONS REDUCE THE AMOUNT TO USD30 MILLION.

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4. TAIWAN IS ACTIVELY PROMOTING ITS INTERNATIONAL BANKING RELATIONS. IT ENCOURAGES DOMESTIC BANKS TO ESTABLISH BRANCHES AND REPRESENTATIVE OFFICES OVERSEAS. CONCURRENTLY, MORE FOREIGN BANKS ARE BEING ENCOURAGED TO LOCATE IN TAIWAN, EITHER AS BRANCH OR REPRESENTATIVE OFFICES. SINCE THE END OF 1979, TAIWAN HAS ESTABLISHED THREE BRANCHES AND THREE REPRESENTATIVE OFFICES OVERSEAS, BRINGING THE PRESENT TOTAL TO TEN OVERSEAS BRANCHES AND FOUR REPRESENTATIVE OFFICES. OVER THE SAME PERIOD FOREIGN BANKS IN TAIWAN HAVE INCREASED FROM NINE BRANCHES AND TWO REPRESENTATIVE OFFICES TO TWENTY-NINE BRANCHES AND NINE REPRESENTATIVE OFFICES.

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END OF MESSAGE

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